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#### INTRODUCTION AND BACKGROUND

#### 1. Introduction

Sea Isle City's Housing Element and Fair Share Plan is prepared in accordance with the New Jersey Municipal Land Use Law, the Fair Housing Act, and the New Jersey Council on Affordable Housing (COAH) regulations.

The purpose of a Housing Plan for Sea Isle City is not only to research and analyze the existing housing situation, but to begin to create a local strategy to provide an adequate supply of housing serving a range of income groups. The reality is that the upper income group, those above 120% of area median income (AMI), is likely to be in a much better position to find and afford adequate housing in the City and/or region; increased opportunities are available to this segment of the population. Accordingly, the lower income groups (those less than 80% or even 50% of AMI) are the City's/region's needlest residents in terms of housing provision and have traditionally been serviced by the many federal programs administered by the State, County, and City. While this segment of the population will continue to require housing assistance, it is the lower/middle-income households (50% to 120% of AMI), often noted as needing workforce housing, that will be at risk of having very limited opportunities for decent "affordable" housing in the coming years, especially as housing cost increase disproportionately with income.

This Plan will outline the current housing situation in Sea Isle City as well as provide a framework for the City to begin to address its Council on Affordable Housing (COAH) obligations pursuant to the Fair Housing Act. More importantly, however, is the Plan's ability to create a strategy to simply address the provision of housing for all of the aforementioned income groups, with special attention focused on the need for workforce housing in the City.

#### 2. Existing Housing Conditions

Condition of existing housing units in Sea Isle City including age, condition, purchase or rental value, occupancy characteristics, and type of housing, is discussed in the section that follows.

# a. Age of Housing

The age of the housing stock in a municipality is an important indicator of the health and vitality of the overall community. As the percentage of older housing in relation to all housing increases this may indicate a lack of economic opportunity since very little new housing is being built to balance out the percentage over a broader time period. As shown in Table 1 below, the majority of Sea Isle City's housing stock was built between 1970 and 1998.

Table 1: Age of Housing				
Year	Housing Units	Percent		
Total:	6,640	100		
Built 1999 to March 2000	355	5.35		
Built 1995 to 1998	1,137	17.12		
Built 1990 to 1994	717	10.80		
Built 1980 to 1989	1,262	19.01		
Built 1970 to 1979	1,373	20.68		
Built 1960 to 1969	683	10.29		
Built 1950 to 1959	564	8.49		
Built 1940 to 1949	226	3.40		
Built 1939 or earlier	323	4.86		
Source: U.S. Census Bureau, Census 2000				

# b. Housing Condition

Table 2 below shows the condition of housing units present in Sea Isle City. As seen in the Table, there are about five (5) overcrowded units, 23 housing units lacking telephone service and seven (7) housing units lacking complete kitchen facilities. These units need to be identified and assisted to meet current code requirements.

Table 2: Housing Condition			
Subject	Number	Percent	
TENURE BY OCCUPANTS PER ROOM			
Owner-occupied housing units	1,031	100	
0.50 or less occupants per room	887	86	
0.51 to 1.00 occupants per room	139	13.5	
1.01 to 1.50 occupants per room	5	0.5	
1.51 or more occupants per room	0	0	
Mean	0.33	(X)	
Renter-occupied housing units	341	100	
0.50 or less occupants per room	266	78	
0.51 to 1.00 occupants per room	75	22	
1.01 to 1.50 occupants per room	0	0	
1.51 or more occupants per room	0	0	
Mean	0.36	(X)	
TENURE BY TELEPHONE SERVICE AVAILABLE			
Owner-occupied housing units	1,031	100	
With telephone service	1,024	99.3	
No telephone service	7	0.7	
Renter-occupied housing units	341	100	
With telephone service	325	95.3	
No telephone service	16	4.7	
TENURE BY PLUMBING FACILITIES			
Owner-occupied housing units	1,031	100	
With complete plumbing facilities	1,031	100	
Lacking complete plumbing facilities	0	0	
Renter-occupied housing units	341	100	
With complete plumbing facilities	341	100	
Lacking complete plumbing facilities	0	0	
TENURE BY KITCHEN FACILITIES			
Owner-occupied housing units	1,031	100	
With complete kitchen facilities	1,024	99.3	
Lacking complete kitchen facilities	7	0.7	
Renter-occupied housing units	341	100	
With complete kitchen facilities	341	100	
Lacking complete kitchen facilities	0	0	
(X) Not applicable			
Source: U.S. Census Bureau, Census 2	2000		

# c. Purchase or Rental Value

Table 3 shows the purchase and rental values of housing units in Sea Isle City. As seen in the Table, the median value of a housing unit in the City is \$280,100, with median monthly cost of \$1,510 for units with a mortgage, and \$474 for units not mortgaged. The median gross rent for housing units in the City is \$717, and the median contract rent is \$593.

Table 3: Housing Value						
Occupied housing	Spe	Specified owners		Specified renters		
	Median value (\$)	Median selected monthly owner costs (\$)		Median contract rent (\$)	Median gross rent (\$)	Percent with meals included in
		With a mortgage	Not mortgaged	rent (\$)	(4)	rent
1,372	280,100	1,510	474	593	717	0
Source: U.S. Census Bureau, Census 2000						

# d. Occupancy Characteristics

Given that the City is a favorite vacation resort community, a majority of Sea Isle City's housing stock is vacant for a major part of the year. The US Census data indicates that only about 20% of the total housing units in the City are occupied year-round and, of these, occupied housing units, approximately 77% are owner-occupied and 23% renter-occupied. These housing characteristics for Sea Isle City are shown in Table 4 below.

Table 4: Occupancy Characteristics			
Subject	Number	Percent	
OCCUPANCY STATUS			
Total housing units	6,622	100	
Occupied housing units	1,370	20.7	
Vacant housing units	5,252	79.3	
TENURE			
Occupied housing units	1,370	100	
Owner-occupied housing units	1,053	76.9	
Renter-occupied housing units	317	23.1	
Source: U.S. Census Bureau, Census 2000			

# e. Housing Type

The majority of housing units in Sea Isle City are one unit detached, one unit attached, or two (2) unit structures. There is a very small percent of structures with three (3) or more housing units in the City. The different housing types, indicating units in structure is shown in Table 5 below.

Table 5: Housing Type				
Туре	Units	Percent		
Total:	6,640	100.00		
1, detached	1,386	20.87		
1, attached	1,640	24.70		
2	2,252	33.92		
3 or 4	361	5.44		
5 to 9	322	4.85		
10 to 19	235	3.54		
20 to 49	222	3.34		
50 or more	212	3.19		
Mobile home	10	0.15		
Boat, RV, van, etc.	0	0.00		
Source: U.S. Census Bureau, Census 2000				

Tables 6 and 7 below show the affordability of housing units in Sea Isle City for renters and home owners. As seen in Table 6, about 65 percent of renters spend over 30 percent of their household income on housing. Table 7 indicates that about 28 percent of owner occupied housing units incur monthly costs greater than 30 percent of household income. This data indicates a growing need for affordable housing units in Sea Isle City, especially for rental housing units.

Table 6: Gross rent as a percentage of household income in 1999				
Subject	Number	Percent		
Total:	341	100.00		
Less than 10 percent	30	8.80		
10 to 14 percent	8	2.35		
15 to 19 percent	48	14.08		
20 to 24 percent	18	5.28		
25 to 29 percent	17	4.99		
30 to 34 percent	0	0.00		
35 to 39 percent	22	6.45		
40 to 49 percent	66	19.35		
50 percent or more	63	18.48		
Not computed	69	20.23		
Source: U.S. Census Bureau, Census 2000				

Subject	Number	Percent
Total	738	100.00
Less than 20 percent	305	41.33
20 to 24 percent	158	21.41
25 to 29 percent	70	9.49
30 to 34 percent	83	11.25
35 percent or more	122	16.53
Not computed	0	0.00

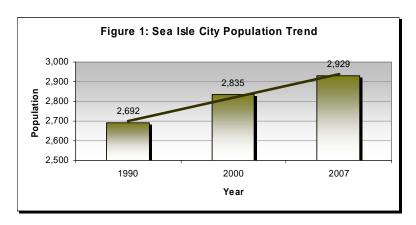
#### 3. Analysis of Demographic Characteristics

The following section discusses key demographic characteristics of Sea Isle City, including population trend, household size and type, age characteristics, income level and employment status of residents.

#### a. Population trend

Sea Isle City has seen very little population growth over the last decade. Currently the City has an estimated total population of 2,929. This indicates a modest increase of 3 percent over year 2000 population of 2,835. The City's population has only grown 5 percent in the preceding decade, from the year 1990 population of 2,692 to the year 2000 population of 2,835. This population trend is shown in Table 8 below, and illustrated in Figure 1.

Table 8: Sea Isle City population trend			
Year	Population	Percent change	
2007*	2,929	3.32	
2000	2,835	5.31	
1990	2,692		
Source: U.S. Census Bureau *Estimates			



#### b. Household size and type

The average household size in Sea Isle City is 2.07. Table 9 and 10 below give details of household size and the type of households in the City. As seen in the Tables, the City has 512 one-person households and 858 households with two (2) or more people, a majority of which are family households. A majority of the family households have 2-4 people, and very few have five (5) or more. About 90 percent of the non-family households are one-person households.

Table 9: Household size and household type			
Total:	1,370		
1-person household:	512		
Male householder	210		
Female householder	302		
2 or more person household:	858		
Family households:	795		
Married-couple family:	661		
With own children under 18 years	150		
No own children under 18 years	511		
Other family:	134		
Male householder, no wife present:	39		
With own children under 18 years	13		
No own children under 18 years	26		
Female householder, no husband present:	95		
With own children under 18 years	50		
No own children under 18 years	45		
Nonfamily households:	63		
Male householder	42		
Female householder	21		
Source: U.S. Census Bureau			

Table 10: Household type by household size		
Total:	1,370	
Family households:	795	
2-person household	504	
3-person household	114	
4-person household	96	
5-person household	56	
6-person household	22	
7-or-more person household	3	
Nonfamily households:	575	
1-person household	512	
2-person household	52	
3-person household	5	
4-person household	6	
5-person household	0	
6-person household	0	
7-or-more person household	0	
Source: U.S. Census Bureau		

# c. Age Characteristics

Table 11 gives the age characteristics of the City's population. As seen in the Table, the majority of the City's population comprises people age 45 and over. Age groups of people 45 to 64 years old and people 65 and older make up about 60 percent of the City's population.

Table 11: Age groups and sex									
Age	Number				Males per 100				
	Both sexes	Male	Female	Both sexes	Male	Female	females		
Under 18 years	444	224	220	15.7	16.5	14.9	101.8		
18 to 64 years	1,623	805	818	57.2	59.5	55.2	98.4		
18 to 24 years	145	80	65	5.1	5.9	4.4	123.1		
25 to 44 years	589	289	300	20.8	21.3	20.3	96.3		
25 to 34 years	227	117	110	8	8.6	7.4	106.4		
35 to 44 years	362	172	190	12.8	12.7	12.8	90.5		
45 to 64 years	889	436	453	31.4	32.2	30.6	96.2		
45 to 54 years	425	202	223	15	14.9	15.1	90.6		
55 to 64 years	464	234	230	16.4	17.3	15.5	101.7		
65 years and over	768	325	443	27.1	24	29.9	73.4		
65 to 74 years	424	188	236	15	13.9	15.9	79.7		
75 to 84 years	266	114	152	9.4	8.4	10.3	75		
85 years and over	78	23	55	2.8	1.7	3.7	41.8		
·	Source: U.	S. Censu	s Bureau	<u>-</u>					

## d. Income level

Table 12 below describes income and poverty status of households and families in the City. The per capita income for the City is \$28,754. Median income of households is \$45,708 and of families is \$62,847. The data also indicates that about 8 percent of population and about 6 percent of families in the City have incomes below poverty level.

Table 12: Incor	Table 12: Income and poverty in Sea Isle City									
Median income Per		Per	Median earnings in		Income in 1999 below poverty level					
in 1999 (dd	ollars)	capita	1999 of full-time,							
Households	Families	income	year-	round						
		in	workers	(dollars)						
		1999								
		(dollars)	Male	Female		Percent of populat for whom povert status is determin	у	Percent of families		
					All ages	Related children under 18 years	65 years and over			
45,708	62,847	28,754	42,713	31,375	7.6	13.7	10.2	6.4		
			Source: U	J.S. Census	Bureau					

# e. Employment status of residents

Table 13 shows the employment status of residents of Sea Isle City. According to the data, about 57 percent of City's population 16 years and older is in labor force and, about 6.5 percent of the City's civilian labor force is unemployed.

Table 13: Employment status											
Pop	oulation 16 ye Percent in la	ars and over bor force	Civilian labor force	Own children Percent with all							
Total		Female	Percent unemployed	parents in	family						
	Total With own children		a	in labor force							
		under 6 years		Under 6	6 to 17						
				years	years						
56.6	49.1	51.9	6.5	44.2	71.8						
	Source: U.S. Census Bureau										

# 4. Employment Characteristics

The following section discusses employment characteristics of Sea Isle City, including employment by industry sectors, employment trends and employment outlook.

# a. Employment by industry sectors and number of persons employed

Table 14 describes employment characteristics of the City's employed civilian population. Management, professional, and related occupations are the highest employment occupations in the City. This is followed by sales and office occupations, and service occupations. These three sectors form over 80 percent of the civilian labor force occupation sectors. Education, health and social services is the largest industry sector in the City, employing 249 people. It is followed by arts, entertainment, recreation, accommodation and food services industry; and then by retail trade industry.

Subject	Number	Percent
Employed civilian population 16 years and over	1,283	100
OCCUPATION		
Management, professional, and related occupations	445	34.7
Service occupations	247	19.3
Sales and office occupations	373	29.1
Farming, fishing, and forestry occupations	0	0
Construction, extraction, and maintenance occupations	141	11
Production, transportation, and material moving occupations	77	6
INDUSTRY		
Agriculture, forestry, fishing and hunting, and mining	0	0
Construction	91	7.1
Manufacturing	61	4.8
Wholesale trade	42	3.3
Retail trade	171	13.3
Transportation and warehousing, and utilities	68	5.3
Information	7	0.5
Finance, insurance, real estate, and rental and leasing	120	9.4
Professional, scientific, management, administrative, and waste management services	66	5.1
Educational, health and social services	249	19.4
Arts, entertainment, recreation, accommodation and food services	196	15.3
Other services (except public administration)	110	8.6
Public administration	102	8

# b. Employment trends

Table 15 below illustrates the employment trends in Sea Isle City for the period 1997-2002. The data shows that in the 5 year period, wholesale trade industry and Retail Trade industry experienced a small decline, whereas Accommodation and Food Services industry saw the most growth in number of establishments and number of employees.

200	2	1997		
Number of establishments	Number of employees	Number of establishments	Number of employees	
4	а	2	а	
31	156	35	110	
1	а			
18	44	17	41	
12	78	9	58	
5	9	3	а	
2	а	2	а	
6	26	6	0	
39	264	35	171	
5	а	6	20	
1 9	9 employees		9 employees	

# c. Employment outlook

Table 16 below shows employment projections for the county of Cape May. The data shows that Other Services industry, and Professional and Business Services industry sectors are projected to see the greatest growth rates in the county. Information industry and government industry sectors are both projected to decline over the decade.

Table 16:	Table 16: Cape May County Employment Projections										
NAICS Industry Code	Industry Title	2004 Estimated Employment	2014 Projected Employment	Numeric Change	Annual Growth Rate	Percent Change	Outlook				
102000	Services-Providing	40,150	45,350	5,200	1.2	12.9	Growing				
102100	Trade, Transportation, and Utilities	8,200	9,500	1,300	1.5	15.8	Growing				
102200	Information	450	400	-50	-0.6	-5.9	Declining				
102300	Financial Activities	2,400	2,650	250	1	10.5	Growing				
102400	Professional and Business Services	2,600	3,250	650	2.3	25.9	Growing				
102500	Education and Health Services	7,500	8,200	700	0.9	9.6	Growing				
102600	Leisure and Hospitality	10,650	12,500	1,850	1.6	17.4	Growing				
102700	Other Services (Except Government)	1,750	2,250	500	2.5	27.4	Growing				
102800	Government	6,650	6,600	-50	-0.1	-0.8	Declining				
1	Source: NJ Department of Labor and Workforce Development										

#### **FAIR SHARE PLAN**

#### 1. Overview of COAH Process

This Housing Plan element for the City of Sea Isle City has been prepared in accordance with the New Jersey Municipal Land Use Law N.J.S.A. 40:55D-28(3), which provides for "a housing plan element, including but not limited to, residential standards and proposals for the construction and improvement of housing." The Fair Housing Act, N.J.S.A. 52:27D-301, provides further that such housing element "shall be designed to achieve the goal of access to affordable housing to meet present and prospective housing needs, with particular attention to low- and moderate-income housing..." Specific requirements are included also with respect to population, employment and housing stock characteristics and provisions for compliance with the Fair Housing Act of 1985. The Fair Housing Act mandates that each municipality provide a realistic opportunity for decent housing for low- and moderate-income families to reside within the City now and in the future, and for the City's "fair share" of the low- and moderate-income families of the region, again, at the present time and in the future.

# a. Why Plan for Affordable Housing?

Beyond the fact that the provision of such housing is both necessary and fair, the New Jersey Supreme Courts stated in *Mount Laurel II* that, "the lessons of history are clear, even if rarely learned. One of those lessons is that unplanned growth has a price..." Further, the Court stated that, "communities that are growing and creating jobs have a responsibility to house the poor who will arrive in these locations in pursuit of jobs." The Court wanted municipalities to depend on long range land use planning rather than on purely economic forces to drive development.

## b. Background on the New Jersey Council on Affordable Housing (COAH) Implementation

The following is excerpted from N.J.A.C. 5:97-1.1

- (a) The Council's third round rules implement a "growth share" approach to affordable housing representing a significant departure from the Council's first and second round methodologies in that they link the actual production of affordable housing with municipal development and growth. The Council believes that this approach will hew more closely to the doctrinal underpinning of *Mount Laurel* in that municipalities will provide a realistic opportunity for construction of a fair share of low- and moderate-income housing based on sound land use and long range planning. These rules will harness future growth to produce affordable housing by deeming that all growth-related construction generates an obligation.
- (b) Both the Court and the Legislature wanted to establish a system that would provide a realistic opportunity for housing, not litigation. As the Court stated in upholding the Fair Housing Act, "The legislative history of the Act makes it clear that it had two primary purposes: first, to bring an administrative agency into the field of lower income housing to satisfy the *Mount Laurel* obligation; second, to get the courts out of that field." Following the New Jersey Appellate Division decision in 2007, the Council revised its "growth share" methodology. The methodology requires that each municipality's provision of affordable housing coincide with its obligation generated by actual residential and non-residential growth. The realistic opportunity for affordable housing will address the overall need estimated by the Council through this combined approach.
- (c) There are three components to the Third Round Methodology; the rehabilitation share, the Prior Round obligations for the period 1987-1999, and the "growth share." Growth share is generated by statewide residential and non-residential growth during the period January 1, 2004 to December 31, 2018 based on individuals projected to need affordable housing from 1999 through 2018. As a result, for every five (5) market-rate residential

units constructed, the municipality is obligated to provide one (1) unit that is affordable to households of low or moderate income. Job creation carries a responsibility to provide housing as well. For every sixteen (16) newly created jobs as measured by new or expanded non-residential construction within the municipality in accordance with Appendix D, the municipality is obligated to provide one unit that is affordable to households of low and moderate income. This method requires that municipalities meet the actual growth share obligation with not merely a good faith attempt, but with the actual provision of housing for low and moderate income households, while continuing to provide a realistic opportunity for affordable housing to address the projected growth share obligation.

# 2. City Information

## a. General Description of Sea Isle City / Major Considerations

Sea Isle City is a compact community located along the shore in Cape May County, and situated on a barrier island. The City is rather densely populated in the area south of 22<sup>nd</sup> Street, and extending to the southern terminus of the island at 93<sup>rd</sup> Street. According to the 2000 US Census, Sea Isle City realized an increase in population from 1990 thru 2000, from 2,692 persons to 2,835 persons or a net increase of 143 persons.

#### b. Planning Areas

According to the State Development and Redevelopment Plan (the State Plan or SDRP), Sea Isle City is designated as an Environmentally Sensitive/Barrier Island Planning Area (PA-5), and has petitioned the Office of Smart Growth (Department of Community Affairs) for designation as a Town Center; which would afford Sea Isle City increased opportunities for Smart Growth Planning under the SDRP guidelines. The Town Center designation is generally targeted at; "traditional designated centers of commerce or government throughout New Jersey, with diverse residential neighborhoods served by a mixed-use Core offering locally oriented goods and services."

#### c. City Master Plan and Municipal Concurrence with the State Plan Vision Statement

The 2001 State Plan contains the following Vision Statement for Housing:

Preserve and expand the supply of safe, decent and reasonably priced housing by balancing land uses, housing types, and housing costs and by improving access between jobs and housing. Promote low-and moderate-income and affordable housing through code enforcement, housing subsidies, community-wide housing approaches and coordinated efforts with the New Jersey Council on Affordable Housing.

The Housing Element and Fair Share Plan are consistent with the State Plan vision.

#### 3. Fair Share Obligation

The three main components to determining the Fair Share Growth Obligation for Sea Isle City are discussed below:

#### a. Rehabilitation Share

The Rehabilitation Share for affordable housing is the number of existing housing units as of April 1, 2000, that are both deficient and occupied by households of low or moderate income as determined through the methodology provided in the COAH Third Round Substantive Rules Handbook N.J.A.C. 5:97, Appendix B. COAH has calculated and provided this information for all communities statewide and the Rehabilitation Share for Sea Isle City is five (5) units.

#### b. Prior Round Obligation for the period 1987-1999

The Prior Round Obligation is a municipality's remaining balance of the prior round's portion of any affordable housing obligation previously assigned by COAH for the 1987 through 1999 cumulative period and is governed by the provisions of N.J.A.C. 5:97, Appendix C. COAH has calculated and provided this information for all communities statewide and the Prior Round Obligation for Sea Isle City for the time period 1987-1999 is one hundred and nine (109) units.

#### c. Growth Share

The Fair Share Growth Obligation is determined by utilizing the growth share methodology adopted by COAH, which bases the need for affordable housing upon growth projected by a municipality and assigns an affordable housing responsibility as a proportion of that growth. The Third Round Rules subject both residential and non-residential development in a municipality to impact the growth obligation. Residential development requires that for every five (5) market-rate units constructed one (1) affordable housing unit must be provided. Non-Residential development requires that one (1) affordable housing unit must be provided for every sixteen (16) newly created jobs, as measured by both new and expanded non-residential construction. COAH provides household and employment projections for each municipality in N.J.A.C. 5:97, Appendix F. COAH projected growth share for Sea Isle City for the period January 1, 2004 through December 31, 2018 is thirty-three (33) units.

#### d. Fair Share Obligation

Sea Isle City's fair share obligation is the sum of its rehabilitation share of five (5) units, prior round obligation of one hundred and nine (109)units, and growth share of thirty three (33) units, resulting in a total fair share obligation of one forty seven (147) affordable housing units. City's fair share obligation is shown in Table 17 below.

Table 17: Sea Isle City COAH Fair Share Obligation								
Description	Units							
Rehabilitation Share	5							
Prior Round Obligation	109							
Growth Share	33							
Total	147							

# 4. The Existing Affordable Housing Units in Sea Isle City

Through the former Sea Isle City Housing Authority (SICHA), a number of housing vouchers (Section 8 vouchers) were administered. Currently, the Section 8 vouchers are administered by the New Jersey Department of Community Affairs office in Cape May Court House. Currently, seven (7) Section 8 vouchers are administered within Sea Isle City. There are currently no agerestricted developments, group homes, assisted living facilities or other inclusionary housing districts within the City.

#### 5. Mechanisms for addressing Sea Isle City's Fair Share Obligations

COAH's revised Third Round rules permit the following breakdown of units:

- At least 50% of the units addressing the fair share obligation need to be affordable to low income households.
- 50% of the units are required to be family units.
- A maximum of 25% housing units may be age-restricted.
- At least 25% of the housing units must be rental units (note: for every rental unit, COAH offers a "2 for 1" credit for each family rental unit restricted for affordable housing built above the required 25% threshold).
- A minimum of 10% of units must be deed-restricted for households earning no more than 35 percent of median income.
- Regional Contribution Agreement (RCA) units are no longer permitted.

Given the requirements of COAH, and the current housing situation in Sea Isle City, the following Fair Share Plan is recommended.

Table 18: Sea Isle City F	Table 18: Sea Isle City Fair Share Plan										
Fair Share Obligation	Units required	Description	Units provided	Bonus							
Rehabilitation	5	Rehabilitation Program	5								
Prior Round Obligation	109	Section 8 Housing - Existing	7								
		Inclusionary Zoning	102								
		Low Income Age-restricted	29								
		Low Income Family Rental	27	54							
Growth Share	33	Inclusionary Zoning	33								
		Low Income Family Rental	17	18							

As illustrated in Table 18, the Fair Share Plan involves the creation of a rehabilitation program to meet the City's rehabilitation share of five (5) units. The existing seven (7) Section 8 units are applied towards meeting the City's prior round obligation of 109 units. The remainder of the prior round obligation of 102 units and the growth share obligation of 33 units is addressed by creation of a new inclusionary zoning district in the City's downtown area. The inclusionary zone is designed to create 29 low income age-restricted housing units and 44 low income family rental units. The 29 low income family rental units. The 27 low income family rental units result in a bonus of 54 units (two credits for each

family rental unit). An additional 17 low income family rental units are planned to be created in the inclusionary zone to address the City's growth share obligation. These 17 units result in a bonus of 18 credits, obtained by the creation of nine (9) units (receiving two credits for each family rental unit) that are in excess of the growth share rental obligation of 8 units. This Fair Share Plan addresses Sea Isle City's entire fair share obligation, and the mechanisms used to implement the plan are explained in further detail in the sections that follow.

# a. Rehabilitation Program

Sea Isle City will create a rehabilitation program to renovate deficient housing units that are occupied by low and moderate income households. The program will be based upon COAH regulations and will be designed to address the City's rehabilitation share of five (5) housing units.

This program will provide municipal rehabilitation investment for hard costs averaging at least \$10,000 per unit, and will include the rehabilitation of a major system. The program will be funded through the City's newly created Affordable Housing Trust Fund. The program will provide funding for owner-occupied and rental units, with 10 year affordability controls established on the units. A Rehabilitation Manual that describes procedures and administration of the rehabilitation program in accordance with COAH regulations will be developed by the City.

# b. Inclusionary Zoning in Downtown

Sea Isle City's Master Plan Re-examination report (December, 2007) recommends prohibiting residential use on the first floor in commercial zones, and limiting it to upper-stories. The report also recommends increasing upper-story residential density to allow four (4) residential units per each 5,000 SF lot (or a density of 34.85 units per acre), from the original density of two (2) residential units per each 5,000 SF lot (density of 17.42 units per acre). Based on these recommendations, the City recently amended its ordinance to allow an increased density of four (4) residential units per each 5,000 SF lot (or a density of 34.85 units per acre) in commercial zones. To meet the City's affordable housing requirement, this plan proposes the creation an overlay inclusionary zone in the downtown affecting the C1 - General Business District, C3 – Marine Commercial/Industrial District, and C5 – Motel business District. The overlay inclusionary zoning district boundary is depicted in Figure 2 below.

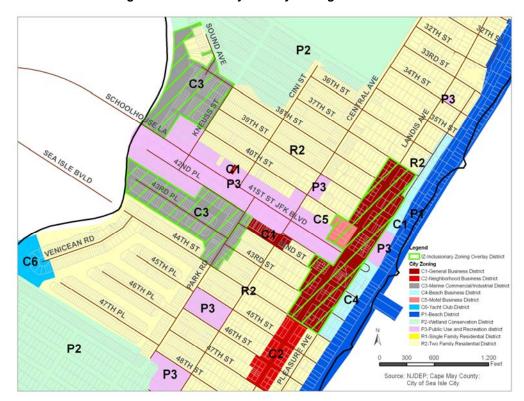


Figure 2: Inclusionary Overlay Zoning District

The inclusionary zone would allow for increased density for residential development and tax incentives, while requiring the provision of 20% affordable units (one (1) affordable unit for every four (4) market rate units) by the developer. The inclusionary zone would include the following:

- For all residential development, a developer must set aside 20% of the units for development as affordable housing units. Meeting this affordable housing condition will allow the developer an increase in density from the current allocation of four (4) upper-story residential units per each 5,000 SF lot (density of 34.85 units per acre) to an increased density allowing five (5) upper-story residential units per 5,000 SF (density of 43.56 units per acre).
- Developers providing affordable units on site will receive tax relief in form of a lower Equalized Assessed Valuation (EAV) of the affordable units. The affordable housing units will be assessed at 80% of original EAV, thereby resulting in lower taxes.
- Developers unable to provide 20% affordable housing units on site will have the option of providing the units elsewhere in the municipality or making a payment in lieu of providing the whole or fractional affordable units required.
- The payment in lieu amount as recommended by COAH is described in Table 19 below. This
  would require any developer who chooses not to, or is not able to provide all or part of the
  required affordable units to make a payment to the City in the amount of \$182,859 per unit, to
  be deposited into the City's Affordable Housing Trust Fund. The affordable housing
  requirement shall not be rounded.

Table 19: Payment in lieu Amount									
COAH	1 <sup>st</sup> Quartile	Land Costs	Construction	Total cost	Affordable	Subsidy			
Region			costs		price	required/			
						Payment in			
						Lieu			
						Amount			
6	\$264,690	\$66,173	\$167,262	\$251,163	\$68,304	\$182,859			

- If the payment in lieu option is exercised or the developer provides the affordable units elsewhere in the municipality, the developer is permitted only an additional one-half market rate unit for every affordable unit required over the existing density of four (4) units per 5,000 SF (density of 34.85 units per acre). In addition, the affordable units provided off-site will not receive any tax relief and the units will be assessed at 100% EAV.
- Development including individual or combined properties smaller than 5,000 SF (which
  cannot accommodate five (5) units) will be exempt from the affordable unit requirement or
  payment in lieu requirement, but will be subject to development fees pursuant to the City's
  development fee ordinance.

The inclusionary zoning overlay district in the City's downtown has a total build-out capacity of approximately 1,608 residential units, allowing for a build-out development potential of up to 322 affordable housing units. The affordable housing potential is shown in Table 20 below. This zoning would therefore sufficiently allow for the development of 73 new affordable units that are required to fulfill Sea Isle City's fair share obligation.

Table 20: Affordable housing development build-out potential through Inclusionary Zones										
Zone	App. Acres	Existing Density (per acre)*	Units	Affordable units- 20% set aside						
C1 – General Business District	17.19	35	599	120						
C3 – Marine Commercial/Industrial District	27.22	35	949	190						
C5 – Motel business District	1.73	35	60	12						
Total	46.14		1608	322						

<sup>\*</sup> Existing Density of four (4) units per 5,000 SF

Development in the overlay inclusionary zoning district will be governed by the inclusionary zoning ordinance, a draft of which is included in Appendix-A.

# 6. Funding Mechanisms

In order to meet the City's current and future affordable housing needs, Sea Isle City has identified funding mechanisms. These mechanisms are explained in greater detail in the sections that follow.

## a. Affordable Housing Trust Fund

Sea Isle City will establish a new Affordable Housing Trust Fund to govern the funds required to meet the low and moderate income housing needs in the City. The Affordable Housing Trust Fund will include funds collected through payment in lieu of constructing affordable units in inclusionary zone, residential and non-residential development fees, proceeds from sale of affordable units, rental income, and any other funds collected by the City in connection with affordable housing programs.

Following COAH certification, the City will impose, collect and spend these funds for providing and maintaining affordable housing in the City, in accordance with the spending plan included with this Fair Share Plan. The Affordable Housing Trust Fund will be created and maintained in accordance with COAH regulations (N.J.A.C. 5:97-8), in the form of a separate, interest-bearing account.

## b. Development Fees

In order to meet the City's affordable housing needs, all development on residential properties not included in the inclusionary overlay zoning district, and all non-residential development within the City, will incur a development fee. The City's draft development fee ordinance is included as Appendix B, and is summarized below.

## Residential development fee

- All development on properties not included in the inclusionary overlay zoning district, except for developments specifically exempted, will incur a development fee equal to one and one half percent (1.5) of EAV, provided no increased density is permitted.
- When increase in residential density is permitted ("d" variance), a development fee of six (6) percent of EAV, for each additional unit will be imposed.
- Development fees will be imposed on the construction of new residential development and additions and alterations to existing development. New construction fees will be based on the EAV; and fees resulting from additions and alterations will be based on the increase in EAV that results from the addition or alteration.

# Non-residential development fee

- Within all zoning districts, non-residential development, except for types of development specifically exempted, will incur a fee equal to two and one-half (2.5) percent of EAV of the land and improvements, in accordance with the State comprehensive affordable housing reform bill P.L.2008, c.46.
- All non-residential development, not specifically exempt, will incur the development fee
  resulting from any additions to existing structures; and when an existing structure is
  demolished and replaced. The fees will be based on increase in EAV in case of additions
  and alterations.

#### c. Payment in lieu Fees

Residential development within the inclusionary overlay zoning district will be eligible to make payment in lieu of providing all or part of their affordable housing requirement, as described in the

preceding sections. These fees will be part of the City's Affordable Housing Trust Fund, and will be available for assistance with affordable housing programs, in accordance with the spending plan.

#### d. Other Funds

In addition to development fees and payment in lieu fees, the Affordable Housing Trust Fund will be designed to collect and manage any funds arising from sale of affordable units, rental income, or similar funds collected by the City in connection with affordable housing programs.

The City will also explore other external State level and Federal level funding sources, such as the New Jersey Affordable Housing Trust Fund Balanced Housing Program, to aid the provision of affordable housing within the City. Further information on funding sources is available in the form of a guide on COAH website<sup>1</sup>.

### e. Spending Plan

Sea Isle City has created a spending plan to allocate the spending of Affordable Housing Trust Funds. The spending plan includes a projection of revenues, administrative mechanism used to collect and distribute revenues, anticipated use of funds, and a schedule of expenditure. The plan also addresses shortfall or excess or Affordable Housing Trust Funds. According to the spending plan, the City is projected to collect a total of \$2,057,090 in revenues during the 2008-2018 period. These funds will be available for affordable housing programs in the City. A draft spending plan is included as Appendix C.

## 7. Implementation Schedule

The implementation schedule for the City's Fair Share Plan developed to meet its fair share obligation within the period of substantive certification is described in Table 21 below. Sea Isle City's fair share obligation results in a rehabilitation obligation of five (5) units, a prior round obligation of 56 new units, and a growth share of 17 new units, as previously described in Table 18. The following schedule sets forth a timetable for provision of these units by type of program.

Table 21: Affordable housing implementation schedule											
Program		PROJECTED SCHEDULE OF COMPLETION (total units) 2009 -2018									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Rehabilitation	1		1		1		1		1		5
Prior Round Obligation Inclusionary zoning											
Low Income Age- restricted	3	3	3	3	3	3	3	3	3	2	29
Low Income Family Rental		3	3	3	3	3	3	3	2	1	27
Growth Share Inclusionary Zoning											
Low Income Family Rental		2	2	2	2	2	2	1	1	1	17
Total	9	8	9	8	9	8	9	7	7	4	78

<sup>&</sup>lt;sup>1</sup> A Guide to Affordable Housing Funding Sources, Council on Affordable Housing, NJ Department of Community Affairs <a href="http://www.state.nj.us/dca/affiliates/coah/resources/planresources">http://www.state.nj.us/dca/affiliates/coah/resources/planresources</a>

#### CONCLUSION

Sea Isle City is a small densely built community with relatively stable growth over the past decade, with a similar growth forecast for the next ten (10) to twenty (20) years. The goals of the City's Master Plan indicate a strong desire to protect the City's environmental resources, increase/concentrate commercial activity in the downtown area, and reduce summer traffic congestion. Along with these goals, the City recognizes that it has a responsibility to address affordable housing in accordance with the COAH regulations.

Based upon the analysis presented, Sea Isle City has a total responsibility to provide 147 affordable housing units (78 new affordable housing units) by 2018. Given the costs associated with development on a barrier island, the City will have difficulty addressing the COAH obligations without the assistance of the private market. Accordingly, this plan, as presented, establishes an inclusionary overlay zoning district, within which, any new housing development is required to provide affordable housing units at a ratio of one-to-four – for every four (4) units of market rate housing constructed, one (1) unit of affordable housing will be required. If a single lot of insufficient size is proposed for residential development, a payment in lieu of construction, in the amount of \$182,859 per unit, is required prior to the certificate of occupancy being issued for the market residential unit proposed. The inclusionary zone is designed to meet the City's entire current affordable housing requirement.

Furthermore, the plan also includes development fees, equal to 1.5 percent of EAV for residential development outside of the inclusionary zone, and 2.5 percent of EAV for all non-residential development within the City. These funds will be part of the Affordable Housing Trust Fund that will manage the funding of all affordable housing programs and projects in the City.

Sea Isle City is a community located on an environmentally sensitive barrier island with an Environmentally Sensitive/Barrier Island Planning Area (PA-5) designation according to the State Development and Redevelopment Plan (SDRP), and possesses limited land available for new construction. Given this unique situation, the City may, at a future date, wish to re-visit its prior round obligation through a vacant land analysis to demonstrate the difficulty in finding land available for the construction of affordable housing. However, all of the current requirements are addressed through this Fair Share Plan.